DOCUMENT RESUME

ED 085 038 HE 004 938

AUTHOR	Bowen, Howard R.
TITLE	The Goals of Higher Education and Their Financial Implications.
INSTITUTION	Committee for Economic Development, New York, N.Y.
PUB DATE	Feb 73
NOTE	27p.
EDRS PRICE	MF-$0.65 HC-$3.29
DESCRIPTORS	*Educational Economics; *Educational Finance; *Educational Needs; *Educational Objectives; Essays; *Higher Education

ABSTRACT

This paper identifies the goals that are sought through higher education in all its aspects and explores the implications of these goals for the financing of higher education. Fifteen goals are considered including: economic growth and military power, supply of professional and other skilled persons, citizenship and civic leadership, solution of social problems responsiveness to social needs, efficiency, minimizing the scope of government, equity, tempering inequality in income distribution, access and opportunity, student freedom, academic freedom, knowledge and learning as values in their own right, geographic dispersion of educational resources, and diversity and progressiveness. (Author)

FILMED FROM BEST AVAILABLE COPY

ED 085038

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
NATIONAL INSTITUTE OF EDUCATION
THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL NATIONAL INSTITUTE OF EDUCATION POSITION OR POLICY

Committee for Economic Development
February 1973
Howard R. Bowen

THE GOALS OF HIGHER EDUCATION AND THEIR FINANCIAL IMPLICATIONS

The intractibility of social problems does not usually lie in lack of technical knowledge. If only knowledge is wanting, it can be found. The difficulty lies more often in a multiplicity of goals some of which are inherently incompatible and some of which are not assigned the same priorities by all persons. As a result, simple solutions to social problems are seldom tenable, and complexity and compromise are inevitable. In no field is this more true than in higher education. It is a variegated and multipurpose activity. The many goals are not all mutually achievable and people simply disagree on the relative values assigned to them. The inevitable result is a system of higher education and a pattern of financing this system that are complex and full of compromises.

In this paper, I shall try to identify the goals that are sought through higher education in all its aspects and to explore the implications of these goals for the financing of higher education. I shall consider the following fifteen goals, each of which is frequently advocated:

HE 004 938

Goals relating to broad social objectives:

1. Economic growth and military power.
2. Supply of professional and other skilled persons.
3. Citizenship and civic leadership.
4. Solution of social problems.
5. Responsiveness to social needs.
6. Efficiency
7. Minimizing the scope of government.
8. Equity.
9. Tempering inequality in income distribution.

Goals relating to the special interests of students.

10. Access and opportunity.
11. Student freedom.

Goals relating to the advancement of higher education.

12. Academic freedom.
13. Knowledge and learning as values in their own right.
14. Geographic dispersion of educational resources.
15. Diversity and progressiveness.

Each of these goals, when viewed in isolation, calls for a particular pattern of finance. When these goals are viewed collectively, they call for a mixed system of finance not unlike that which currently prevails. The present system can be viewed as the product of the complex cross-currents of American politics. The system is not tidy; it is based on no single ideology; it is full of compromises; it is hard to understand; it fully pleases no one; it is likely to change through gradual evolution, not through radical departures. The basic policy question is: In what general direction should change be tending?

The paragraphs that follow are commentaries on each of the fifteen goals. These will be concluded with some general remarks on the system of higher educational finance.

1. Economic Growth and National Military Power

A major goal for higher education is national economic growth. Many studies, as well as common sense, have indicated that learning in a wide variety of fields adds to the productivity of labor and that the kinds of basic and applied research conducted in universities also enhance the national product. Moreover, the connection between learning and national military strength has been widely recognized especially since World War II. Indeed, the revival of interest in higher education in the 1950's was sparked by the launching of Sputnik; the major breakthrough in federal educational legislation of that period was called the National Defense Education Act; and one of the major complaints of students during the height of the Viet Nam War was that higher education had become a tool of the Military Industrial Complex.

The goal of national economic growth calls for federal financing of higher education partly in the form of general support and partly in the form of categorical grants, loans and contracts intended to encourage particular kinds of training and research. Categorical support results in ever-changing emphasis in federal programs as old needs are fulfilled and new needs discovered. It tends to put universities in the position of producing for a "market" in response to rapidly changing demands of the federal government, and removes some of the decision-making from the campus to Washington.

2. Supply of Professional and Other Skilled Persons

Another goal is simply to provide an adequate supply of professional and other skilled persons to serve the population.

Society requires a reliable supply of physicians, dentists, nurses, teachers, lawyers, clergymen, accountants, engineers, soldiers, etc., just to take care of its elemental needs. Even in the founding of Harvard, the supply of professional workers, specifically clergymen, was a dominant consideration, and many of the state colleges were originally founded as normal schools to provide a supply of teachers.

Historically, because professional people were scarce and because some of the professions offered low remuneration, this goal called for a system of finance that would encourage students to enter the professions: low tuitions and student aid in the form of grants. Today, except in the health fields, the scarcities have apparently been largely overcome, and in the health fields incentives are strong because remuneration is high. So the need of special financial arrangements to encourage the supply of professionals is less strongly felt than it was in earlier generations and this goal probably calls for no special financial arrangements.

3. Citizenship and Civic Leadership

An American article of faith is that widespread education will produce an intelligent, informed, and responsible electorate. The drive toward universal secondary education nearly a century ago was promoted with citizenship as a major goal. Today the claim is made that near universal education for two years beyond high school can be justified on the basis of its contribution to citizenship.

This position suggests that education in the first two

post-secondary years should be tuition-free or nearly so. It also suggests that after the first two years the private benefit from higher education exceeds the social benefit and that substantial tuitions, or even full-cost tuitions, should rule for the upper-division, graduate, and professional years.

This position also rests on the argument that once students have experienced two successful years of college, have discovered their interests and abilities, and have appraised their opportunities, they should then be able to judge the private benefits of further education and should be willing to proceed under a system of high tuitions backed up by long-term loans.

This general view represents a neat compromise between those who would make higher education at all levels essentially tuition-free and those who would charge full-cost (or nearly full-cost) tuition at all levels.

Some uneasiness about the citizenship theory arises from the fact that many of those who favor wide extension of higher education in the first two post-secondary years are thinking of <u>vocational</u> rather than general education.

The citizenship proposal can also be questioned on the ground that citizenship may be advanced as much by a highly-educated civic leadership as by mass higher education at grades 13 and 14. The interests of the body politic might call not only for education on the part of the many but also deep education on the part of the few (but not too few). Society in seeking good citizenship may be justified in subsidizing education in the later as well as earlier college years.

4. Solution of Social Problems

A persistent goal of higher education is to provide the knowledge and the personnel to cope with social problems. Today our society has an especially wide array of felt social problems most of which are national in scope and import. We wish to conquer poverty, achieve racial justice, renew our cities, restore order, improve health and education, renew the environment, develop the arts, keep the peace, restrain world population growth, and aid developing nations. These tasks will require great bodies of new knowledge, and great cadres of dedicated and professionally competent persons. They will stretch our resources in educated, sensitive, insightful people. Education and research are still our main hope for coping with these problems.

Solutions call for citizenship education of the many and liberal and professional education in depth of the indespensable technical and political leadership. Solutions also require research and scholarship in the natural sciences, the humanities, and the social studies.

An adequate attack on our national social problems would seem to call for broad federal support and encouragement of all aspects of higher education, not merely the first two years, not merely research in the natural sciences, and not merely mission-oriented programs of education and research. But in addition to broad general support, it would also require categorical aids to foster particular kinds of research and training.

5. Responsiveness to Social Needs

The allegation is often made that colleges and universities

depend upon public support but are not responsive or accountable to any constituency. It is said that they are insensitive to the needs of the government, to the interests of their students, to the wishes of the various publics they serve, and to the broad social interest. It is argued that their governance and finances should be changed to make them more responsive.

No one can reasonably deny that colleges and universities exist to serve their society and that they have a deep obligation to work toward advancement of the genuine interests of that society. The question is: How can this social responsiveness be best assured?

One way that is often advocated is to finance institutions through the price system. Instruction would be financed through tuitions received from students; auxiliary enterprises would be financed through fees to cover costs including capital costs; public service activities would be financed through payments from individuals, corporations, and public agencies receiving services; research and scholarship would be financed through grants or contracts from individuals, corporations, and public agencies. In this way, higher education would concentrate on those specific activities which someone on the outside would deem worth paying for. The distinction between proprietary and not-for-profit, institutions and between public and private institutions would then largely disappear.

In recent decades, the system of higher education has moved perceptibly toward the market model. Contract research has become commonplace, tuitions and other fees have risen and services of auxiliary enterprises are increasingly priced at

full-cost.

Another way of increasing responsiveness has been to alter the governance of institutions by subjecting them to site visits, inspections, audits, and reports, by placing them under the supervision of public coordinating bodies, and by direct legislation affecting programs, tuitions, salaries, teaching loads, tenure, etc.

A question may be raised as to whether the "customers" on the outside are better able than the faculties and administrators on the inside to determine what is in the social interest. Concern for the long-run interests of students is surely a responsibility of the college and university, but it does not necessarily follow that better educational decisions will be made if students control a large part of the income of colleges and universities than if educational funds derive from unrestricted appropriations and gifts. Similarly, research and scholarship should promote the long-run interests of society, but it does not follow that better decisions about the development of science, the advancement of knowledge, and the enrichment of the culture will be made by outside individuals, public agencies, and corporations than will be made by faculties. Even in the case of public services, it is not self-evident that outside groups are bound to be right about the kinds of public services that are compatible with the total program and mission of colleges or universities. But to the extent that greater responsiveness to outside decision-making is sought, increasing finance through tuitions, fees, contracts, categorical grants, etc., are one way of achieving the goal.

6. Efficiency

In recent years, the opinion has become widespread that higher education is conducted inefficiently, and efficiency has been advanced as a major goal.

At the most global level, efficiency refers to the proper allocation of total resources to higher education so that the benefit from the last dollar allocated will be as great as the benefit from the last dollar spent for other purposes such as private consumption, urban improvements, domestic transport, military operations, etc. The argument is sometimes made that there are too many students enrolled, too large a research establishment, too many public services, etc., and that the growth of expenditures should cease until balanced margins are restored.

A second concept is that the scope of the enterprise may not be too great, but that higher education does not produce as much return from its total expenditures as it might. It is often alleged that it has surplus plant, the school year is too short, teaching loads are too low, the pace is too slow,

technology is backward, and managerial technique is slack. By internal tightening up, it could allegedly produce a greater return at the same cost.

A third concept is that resources are not allocated properly among the various branches of higher education, among the various fields of study, between undergraduate and graduate instruction, or between teaching and research. For example, too much attention is given to academic studies and not enough to vocational studies, too many students are enrolled in expensive universities and not enough in community colleges, graduate study and research are being overdone, too few M.D.'s are being produced, too much attention is being given to theoretical and esoteric subjects and not enough to practical and applied subjects, etc.

An inherent difficulty resides in these allegations about efficiency, though the inputs can be measured both physically and in dollars, the outputs or outcomes are largely non-measurable except through intuitive judgment. People of equal knowledge and integrity can reach quite different opinions. Devices such as cost-benefit analysis and program budgeting are not of much help when the benefits are so hard to identify. Even comparative cost data from different institutions are hard to interpret because programs are not the same and qualitative results may be quite different.

The efficiency question looks quite different to many educators from what it does to outside legislators or businessmen. Educators see an educational establishment of rapidly growing enrollments where society is continually loading on additional responsibilities,

where faculty are working long hours, where academic standards have been rising and the richness of education has been increasing despite inadequacy of funds, where the academic quality of education and research is as high as anywhere in the world, where there is a perennial shortage of administrative and non-academic staff to get the job done, and where financial precariousness is a way of life. The educator sees higher education as being underfunded in relation to the enormous tasks to be accomplished and in relation to the returns being yielded by expenditures for other private and public purposes. He sees higher education as comparing very favorably in efficiency with many segments of private business, with the health services industry, with local government, with federal agencies, with private foundations, and with the use of resources by private consumers. He sees his duty, in quest of efficiency, to seek more funds, not to cut back.

Educators are, of course, not the best judges of their own efficiency, and some external check is reasonable. One possibility is simply to slow up the rate of increase of expenditures and thus force institutions to cut back their expenditures of lowest priority until the "fat" has clearly been squeezed out. Another possibility is for a coordinating agency or some other public body to set standards of expenditure per student, perhaps on the basis of cost analysis, and to limit appropriations accordingly. The third is to rely on the price system -- to allow competition to force institutions to hold down their costs to reasonable levels for the kind of service they are rendering and to charge high enough tuitions so that students will not utilize educational

services in which they are not genuinely interested. One of the arguments often advanced for converting higher education to the market system is that efficiency would be promoted.

7. Minimizing the Scope of Government

A set of related goals are: (1) that government should not engage in activities that can be conducted privately, (2) that public subsidies should be used sparingly, (3) that public budgets should be balanced, and (4) that the price system has special merit as a device for allocating resources. These opinions of course lead to the view that higher education should be financed through tuitions and that students should be financed through loans.

One important technical fact about loans for the financing of students is that loans can be financed through the private capital market and need not show up in public budgets. Except for this fact the global economic effects of loans and grants are not very different. In either case, the funds are likely to be supplied by financial institutions, and later repayment constitutes a mere transfer. The economic cost of current higher education cannot be transferred to the future.

8. Equity

An important goal is equity among individuals and among social classes in the distribution of the benefits of higher education and in the distribution of the costs. In the distribution of benefits, wide and easy access of all classes of people to higher education of all types is perhaps the only requirement for equity. In the distribution of costs, the equity problem is more complex.

A common assumption is that costs should be distributed in

some fashion between the student (and his family) and society (as represented by government and philanthropy). A reasonable basis of the division is often said to be benefit. The student should pay an amount corresponding to his private benefit in the form of life enhancement and increased earning power, and society should pay in proportion to social benefit. This formulation, however, presents difficulties because of differences of opinion, not only about the relative extent of private and social benefits but also about what should be included in the costs.

As the economist sees the costs, they include (1) foregone income by reason of the student's being in college and not in the labor market, (2) incidental expenses of college attendance, and (3) institutional costs of providing educational services. I estimate the amount of these costs (annually per student) as follows:

	Amount	Percent
Foregone income	$5,000	55%
Incidental expenses	500	6
Institutional costs	3,500	39
	$9,000	100%

The question is: What proportion of this $9,000 should be borne by the student and what portion by society?

Suppose one were to assume (as seems reasonable to me) that two-thirds of the benefit were private to the student and one-third were social. Students on the average, then, should bear about $6,000 and the public about $3,000. The $6,000 would be met if the student gave his time to the educational enterprise, paid for his incidental expenses, and contributed about $400 in tuition. Obviously the assumptions on which this

result rests may not be universally acceptable. But for what these assumptions may be worth, they suggest that a major part of institutional costs should on grounds of equity be paid from appropriations and philanthropy.

Those who discount the social benefits from higher education and who reject the idea of foregone income will come to quite different conclusions. Indeed, differences in the interpretation of social benefits and foregone income underlie much of the conflict of opinion about the financing of higher education.

Equity in the distribution of costs also concerns fairness as between students who have affluent families to assist them and students who do not. If one assumes that students are emancipated and that family income is not a consideration, then all should be treated alike. Either loans or grants would be appropriate. On the other hand, if one assumes that families when able are responsible to support their children in college, then fairness may require that the government and philanthropy act as surrogate parents for students whose families are not able to help. This would argue for grants rather than loans to needy students.

Still another equity issue concerns intergenerational fairness. The American tradition of higher education has encouraged low-income students to attend by means of low tuitions, modest scholarships, and part-time work. Under this system, generations of young men and women of low-income families have attended college without piling up lifelong indebtedness. We are now in the process of bringing another generation of young people, many of them of minority origins, into the mainstream of American life via college. Is it fair to change the rules for this new group

by requiring them to go into debt?

Considerations of equity on the whole favor a system of finance based on low tuitions coupled with grants to low-income students.

9. Tempering Inequality in Income Distribution

A goal that is seldom mentioned directly but often implied is to use the higher educational system as a vehicle for reducing inequality in the distribution of income. The distribution of income is affected by higher education in two ways.

Higher education can influence the distribution of income directly because it takes money from taxpayers and spends it on students. If the taxpayers are on the average richer than students, income distribution will tend to be equalized; if the taxpayers are poorer than students, inequality will be accentuated. The conclusion is that either the tax system or the rate of tuition should be changed.

A related issue is that if tuitions are low, well-to-do families will gain a windfall because their children will presumably be in college regardless of the cost, and they will benefit from a subsidy that is useful only for students of low-income families. So it is argued that tuitions should be raised to prevent such windfalls and that the grants or loans to low-income students should be correspondingly raised. The argument is persuasive, but it is not explained why higher education should be singled out for special treatment from all the many other public and private goods which wealthy people receive at rates below what they would be willing to pay. Presumably, this problem should be handled through making the tax system more progressive, not through

vocational skills. It rests also on the conviction, supported by considerable recent evidence, that the innate ability to benefit from college education is much more widely distributed than had previously been believed, and that new kinds of higher (or post-secondary) education could be devised to accommodate a large proportion of the population. This goal of access accounts also for the recent drive for "open admissions."

The goal of access has had a profound influence on the financing of higher education. It largely accounts for the historic emphasis upon low tuitions and upon student aid in the form of scholarships and grants. It explains the establishment at various times in our history "peoples'" colleges such as the land-grant institutions, state colleges, and community colleges. It also explains the effort to widen opportunity by offering free higher education on financial terms such that if the student is willing to devote his time and energy and thus forgo income, and if he can demonstrate his ability to do college work, "society" as represented by government and philanthropy will provide the institutional facilities without requiring the student to pay heavy tuitions or to go deeply into debt.

If access were the sole objective, it would call for a system of finance with institutions funded primarily by public appropriations and philanthropy and only secondarily by tuitions and with needy students funded primarily by grants and only secondarily by loans. However, as an alternative, access would not be curtailed very much if institutions charged high tuitions but needy students were assisted by correspondingly large grants.

11. Student Freedom

In recent years, the position of college students in our society has changed markedly. They are increasingly regarded as adults, they are given greater liberty in their ways of life, and paternalism on the part of both parents and educational institutions is on the wane. One of the goals of higher education today is to maintain or increase the newly-won freedom and independence of students in their selection of colleges, in their choice of courses and educational programs, in the mode of instruction and learning to which they are exposed, in their pattern of living, and even in their relations with their parents.

This goal calls for the finance of institutions through tuitions and the finance of students through grants or loans directly from government to the students, not via institutions. If students are the chief vehicle for bringing funds to the colleges, and are free to select colleges of their choice they will acquire substantial power over the educational process. Colleges will be forced to be attentive to student opinion and need.

The goal of student freedom also raises questions about the relation of students to their parents. In general, America has accepted the idea that parents are responsible, to the extent of their means, to finance the education of their children. But if the children are to be free and to be regarded as adults, they should at some point be emancipated from their parents. Should the time of emancipation be at age 18? Age 21? At

graduation from college? At completion of graduate and professional education?

America has been equivocal on this subject of emancipation. In general, graduate fellowships and assistantships have been awarded without a parental means test, whereas undergraduate awards have usually involved a means test. Yet, the G.I. Bill, one of our most far-reaching and successful student aid programs assumed that the veterans were emancipated from their parents regardless of age. In the past, when credit has been used to finance college education, parents have usually been the responsible borrowers. But recently, as the use of credit has been increasing, the student has often assumed the responsibility of repayments. A persuasive argument for the newer loans of substantial amounts, long maturities, and contingent repayment features is that such loans make possible the emancipation of the student. Grants of equal amount would, of course, give them even greater freedom, but grants of equal amount are not likely to be forthcoming.

A more subtle aspect of student freedom is that the student should be free to choose his field of study without arbitrary admissions and retention standards, without arbitrary quota systems, and perhaps without differential tuitions for different disciplines. According to this view, the higher educational system should be responsive to the informed choices of students and not be managed by means of arbitrary admission restrictions and quotas designed to regulate the flow of people to different fields presumably in accordance with estimates of future manpower requirements. The case of medicine is often cited as a field

that presents arbitrary barriers to thousands of well-qualified men and women who would like to become physicians and who are needed in the health service system. According to this concept of freedom, the higher education system should be planned primarily with the demand for places on the part of qualified students as the principal criterion rather than arbitrary estimates of professional associations, manpower planners, etc. A possible financial implication of this point of view is that the charging of different tuitions for different fields of study would unduly influence choices because relatively small sums of money might weigh heavily in the short run and produce bad decisions for the long run. A contrary viewpoint is that tuitions should, in the interests of efficiency, reflect the relative cost of different educational programs.

In general, student freedom probably calls for a financial system of high tuitions coupled with generous loans available without a means test and free choice of disciplines without large fee differentials.

12. Academic Freedom

A venerated goal of higher education is academic freedom. This refers not alone to the right of professors to seek and speak the truth; it refers also to the power of faculties individually and collectively to decide what lines of research and scholarship to pursue, what to teach, how to teach, what standards to maintain, what public service activities are compatible with the main business of instruction and scholarship, etc. The assumption has been that in all these matters professional judgment comes into play.

Obviously, professional prerogatives do not justify social irresponsibility. On the other hand, there is no substitute for professional judgment in most educational and scholarly decisions. One of the inescapable problems of academic life is to achieve a reasonable balance between social control and academic control such that the genuine long-run interests of society are advanced. A major task of college and university presidents is to bridge the distance between the academic interests and the interests of the society beyond the campus. There is no simple solution to the problem, but the solution clearly does not lie in destroying academic freedom, in making the university a government bureau or market-oriented enterprise. To preserve the essentials of academic freedom, colleges and universities must have substantial unrestricted funds from appropriations, gifts, and endowment; they must also have diverse sources of support so that they are not beholden to any single interest or influence. To maintain sig nificant inner direction, the college or university must be trusted by the society; to maintain this

trust while preserving academic integrity is one of the continuing problems of higher educational policy and administration.

13. Knowledge and Learning as Values in Their Own Right

In most contemporary discussions, higher education is viewed as a means to ulterior ends. However, learning on the part of both students and faculty, the discovery and dissemination of knowledge, artistic creativity, and the preservation and advancement of the culture can all be regarded as goods in themselves without reference to any specific instrumental purposes. Similarly, academic excellence can be regarded as intrinsically valuable. Moreover, if the experience of the past generation or two teaches us anything it is that knowledge gathered for its own sake, for the mere value of knowing, often proves to be useful in the most unexpected ways.

This goal of knowledge for its own sake argues for substantial unrestricted funds for higher education to be used as the academic community decides. Indeed, higher education is almost unique in our society as a place where learning and culture are pursued for their own sake. Our society should support at least one center where learning is cultivated in terms of its own intrinsic worth and not primarily as a means to ulterior objectives.

14. Geographic Dispersion of Educational Resources

Educational opportunity and resources should be distributed geographically so that opportunities for people, and also the cultural and economic influences of strong institutions of higher education, are available in all parts of the country. Without preventive efforts, the ablest faculty, the best students, and the richest resources will gravitate to a selected few institutions in restricted areas of the country. Adequate geographic dispersion calls for federal aid to poorer and sparsely-settled areas, and for institutional control of significant amounts of student aid funds.

15. Diversity and Progressiveness

A goal of higher education is to achieve a diversity of

institutions, programs, modes of instruction, and points of view to accommodate students of varied interests and objectives. A related goal is to encourage diversity in the sponsorship of institutions including federal government, state and local government, private non-profit organizations, and private business corporations. In a time of rapid relative growth of the public sector of higher education and increasing political influence over the public institutions, the survival and prosperity of the private sector is of special significance. The private sector moreover, contributes much in leadership and quality to the higher educational system.

The goal of diversity calls for either of two policies: (1) supplemental aid to students who attend private institutions in order to compensate for the relatively high tuitions in the private sector or (2) raising tuitions in public institutions and thus narrowing the tuition gap.

Diversity and progressiveness also calls for substantial categorical aid for new institutions and new projects. A danger in such categorical aid is that it will encourage phony or ill-advised innovation. Another risk is that government and foundations will give temporary support for the novel without properly encouraging the strengthening and improvement of good features of the traditional. Solid change is an evolutionary process, not keeping up with an endless succession of fads and gimmicks.

16. Conclusions

The principal conclusion is that various goals, when viewed separately, call for different modes of finance. Can one consolidate the various strands of the argument into a coherent system of

finance? The answer is yes, but because of differences of outlook and priorities, one man's coherence can be another man's insanity. I shall try to present the conclusions I have reached about the financial pattern that derives from the fifteen goals.

Colleges and universities should have substantial unrestricted funds, preferably from diverse sources, in pursuit of the goals of academic freedom, the advancement of knowledge and culture for its own sake, the promotion of national economic growth, the solution of social problems, and the cultivation of citizenship. These unrestricted funds might properly come in part from the federal government -- especially for promotion of national economic growth and solution of social problems.

Federal and state governments should be able to influence -- without dominating -- higher education by means of categorical grants for goals such as economic growth, solution of social problems, geographic dispersion of educational resources, diversity and progressiveness of higher education, and general responsiveness of higher education to social needs.

A system of finance based on low tuitions coupled with student aid emphasizing grants would contribute toward the goals of access, citizenship education, equity, and tempering inequality of income (in the long run).

On the other hand, a system of finance based on high tuitions coupled with student aid in the form of either grants or loans (with student aid independent of institutions) would work toward student freedom, diversity and progressiveness, and improved income distribution in the short run. If this system were extended so that colleges or universities were market-oriented in all or

most of their activities, goals such as responsiveness, efficiency, and minimum scope of government would be favored.

To meet the goal of diversity and progressiveness, special provision would be needed to improve the competitiveness of the private sector, either (1) tuition equalization in the form of special grants to students to meet the extra tuitions of private institutions, or (2) higher tuitions in public institutions. I favor the first of these two, because on other grounds tuitions in public institutions should be kept moderate.

To meet the goal of geographic dispersion of educational resources, some substantial part of student aid should be under the control of institutions.

In my judgment, no simple solution to the problem of financing higher education, based on only a few goals and glossing over others, will serve. The only tenable solution for the finance of institutions is a blend of unrestricted funds and categorical grants from diverse public and private sources, moderate tuitions, and reasonable fees for non-instructional services; the wisest solution for the finance of low-income students is a combination of grants and loans, with grants providing bare minima to assure opportunity and loans used as supplemental sources to assure flexibility. Such loans might be long-term and have income contingent features.

My assessment of the goals leads me to question current tendencies toward converting colleges and universities into market oriented-institutions without strong inner direction, and equally to question current tendencies to finance low income students primarily through loans. The need is for judicious balancing of many goals and balancing the financial devices appropriate to these

goals. The system resulting from such balancing will never be tidy or simple. It will never achieve any objective fully. But neither will it destroy or handicap an educational system that has achieved first rank in the world in excellence and at the same time has extended higher educational opportunity more widely than ever before in world history.

The same conclusion was reached by Marion B. Folsom, a distinguished businessman, former Secretary of Health, Education, and Welfare, and a long-time leader of CED. He said:[1]

> "The financial support of higher education *is a patchwork quilt.* This support is drawn from virtually every known source . . . . This patchwork quilt . . . . is *no jumble of confusion.* Instead, it is a significantly complete list of the groups that form the broad base of support for higher education in our society . . . If it is true that *'he who pays the piper calls the tune,'* the integrity of higher learning is ensured by the fact that no one group can 'call the tune.' This broad base of support ensures that our system will remain free of a single, limiting educational creed. And this, in a sense, is the *genius* of American education--that there is no single interest, no one creed or dogma, that might stifle the freedom and independence we as a people cherish."

---

[1] Marion B. Folsom, "Who Should Pay for American Higher Education?" in Economics of Higher Education, Selma J. Mushkin (ed.) U. S. Department of Health, Education, and Welfare, OE 50027 Bulletin 1962 Number S. Washington: U. S. Government Printing Office, 1962, p. 195.